

Risk Management Framework

VERSION 0.1 DATE January 2022

Appendix 1



Document Control:

Version	Date	Brief Summary of Changes	Author
1	06/01/21	First draft prepared	Liz Morris
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RISK MANAGEMENT FRAMEWORK

Introduction

Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation. Effective risk management is an integral part of good corporate governance and internal control arrangements and should be a part of everyday management processes across any organisation.

South Yorkshire Mayoral Combined Authority (MCA) is committed to ensuring robust risk management arrangements are in place and operating effectively across the organisation. This is particularly important as transformation takes place and the two organisations integrate bringing together different process and ways of working to harmonise to a single operating model. Moving forward Management Board will champion risk management and ensure that appropriate arrangements are in place, maintained and reported upon on an ongoing basis.

Additionally, the Accounts and Audit Regulations 2015, applicable to the MCA, contain provisions on financial management, annual accounts, internal control and audit procedures, which require a sound system of internal control to be maintained, which includes *the effective arrangements for the management of risk*. Furthermore, the Regulations require, as part of the financial control systems, measures *to ensure that risk is appropriately managed* to be in place.

This framework sets out the MCA approach to risk management, the roles and responsibilities and provides a proportionate process, risk appetite, boundaries and tolerances. The structured approach takes into account the maturity of the organisation, in terms of risk management knowledge, and the operational challenges the organisation faces. As part of the approach to developing and defining this framework, and as part of good project management, a post implementation review should be undertaken approximately six months after implementation. This should consider if risk management is operating as intended and adjust this framework and operating process to acknowledge the stable operational status of the organisation.

Risk Management Definitions

There are many definitions of risk, which fundamentally have at their heart that risk is *the effect of uncertainty on objectives*. The technical recording of risk is expressed in terms of causes, potential events and the *consequences*.

- Cause, element(s) has the potential to lead to risk(s), this can be structured as 'due to'.
- Event, something planned that doesn't happen or something not expected, which happens, this may be structured as 'there is a risk that' or 'leads to'.
- Consequence, the outcome of an event(s) affecting objectives structured as 'results in'.

Risk Management is the *co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation*.

The core of the above has been taken from the *Orange Book*, as defined in 2020, and it should be noted that a risk can be based on a threat or an opportunity.

Effective Risk Management and its Benefits

The Management Board of the MCA agrees to embed effective risk management throughout the organisation by:

- ensuring this structured and consistent approach to the management of risk is embedded and risk management roles and responsibilities are built into the structure and its reporting lines.
- using the approach to facilitate effective prioritisation of resource and risk taking and therefore built into decision making arrangements.
- using data and management information to build up a full picture of risks to facilitate good decision making and continuous improvement.

- ensuring continuous review of risks and mitigations takes place and risk management performance is reported on regularly.
- ensuring that all risks are managed at the most effective and practical level and escalation takes place in line with the requirements.
- commissioning a post implementation review in approximately six months from the date of implementation to review and consider any adjustments; and
- regularly review the framework, listen to feedback to ensure arrangements remain fit for purpose and risks are managed effectively.
- establishing a network of risk champions and coordinators, based across the MCA, to embed the approach and to act as part of the centre of excellence in taking risk management forward.
- embedding risk management into the annual business planning cycle.
- providing user friendly risk management guidance and support based on good practice.

The implementation of effective risk management enhances management functions and processes within the MCA and it is a key feature of good corporate governance. As such, risk management works alongside financial management, performance management and business planning to enhance and demonstrate transparency and accountability. It also forms a key component of the delivery of the MCA's objectives including the Strategic Economic Plan and associated delivery plans.

Through effective risk management, the MCA can prioritise and manage both threats and opportunities to the delivery of objectives. By implementing and embedding a continuous and standardised approach to risk management, a process is developed to prioritise resources, implement effective and proportionate controls to manage threats and exploit opportunities. Consequently, this framework's aspiration is that risk management becomes a fundamental and demonstrable factor of all decisions taken by the MCA.

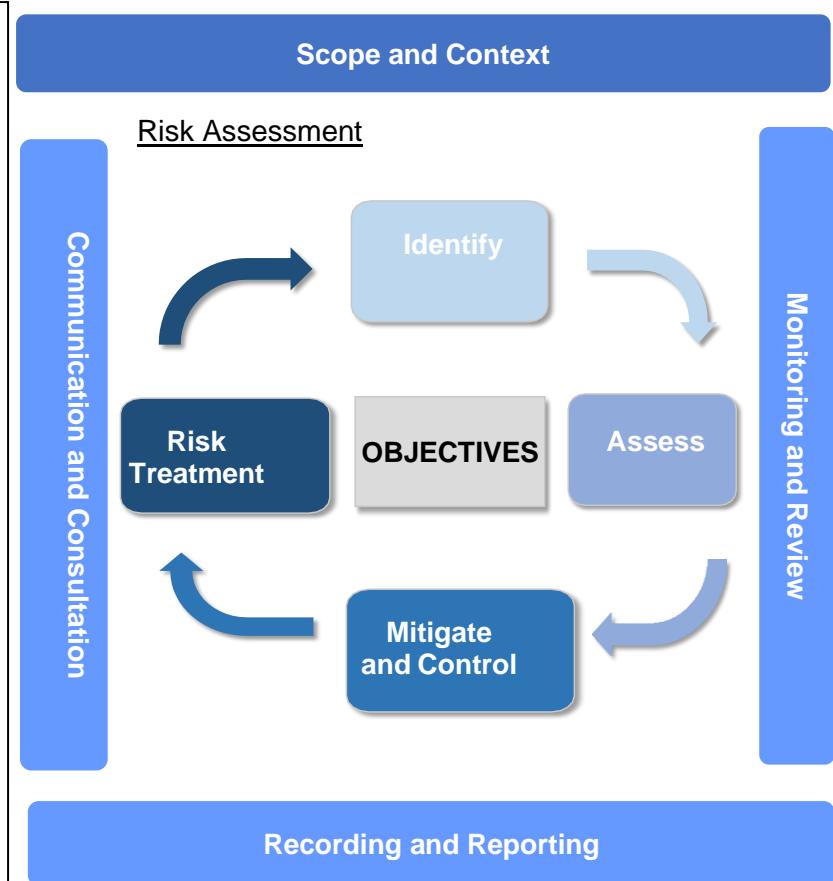
Our approach, the Risk Management Process

The effective risk management process is recorded here and covers each of the fundamental principles of the process.

The risk management process is broken down into a number of areas, in line with the diagram, which implies it is sequential however, it is more dynamic and a continuous cycle of reviewing and revisiting the steps within the process as time and events impact on the achievement of objectives. It is presented in more detail in Appendix A, Risk Management on a Page and the following pages.

The process has been created using Risk Management standard, ISO 31000, The Orange Book, benchmarking of comparable organisations and the previous processes along with experiential knowledge of good practice gained across the public and private sector.

There can be many applications of risk management within the organisation however, the fundamental principle is to support the achievement of objectives. In the case of the MCA this is focused on the delivery of the Strategic Economic Plan.



Each step is considered in more detail below, within the Risk Management on a Page and the additional appendices.

Scope and Context

Risk management in the MCA is set against the delivery of the Strategic Economic Plan (SEP) and the operations and activities the organisation takes to deliver that. This means that risks are defined against the objectives that are set within the plans to deliver and achieve the priorities of the SEP and may be either internal to the MCA or externally facing as work is undertaken with partners and stakeholders to transform the economy of South Yorkshire for the people, business and places.

Communication and Consultation

Communication and consultation are key attributes of this Risk Management Framework and they aim to assist stakeholders in understanding risk and its role as a basis on which decisions are made.

Communication in this context will enhance awareness of risk and its management and consultation will take place with stakeholders to seek feedback and agreement to the content of this Framework and the recorded risks, which results in a framework and outputs which are co-created. Coordination across the two will ensure that the information contained within the framework and output registers is relevant, accurate, timely and understandable and delivers within the context of the organisation and its operating environment.

Risk Assessment Process

Risk Assessment is the overall process of risk identification, risk analysis and evaluation. The assessment should be systematic, iterative and take place dynamically and collaboratively considering the views of related stakeholders.

Objectives

As the MCA undertakes its business cycle, the business planning round for 2022-23 sets out the process for aligning the Business Plan to the Corporate Plan objectives and actions. Teams are required to set out the key deliverables and milestones and the resourcing, budget and technical requirements needed in to deliver the objectives recorded within the Corporate Plan. As part of this process, risks should be identified, considered and recorded within the corporate risk register template (Appendix B) in line with the process recorded below.

Additionally, risks may be identified outside of the business planning process and as part of everyday business and may be added to the register, as necessary.

Risk Identification

The risk identification step aims to identify and describe risks that may help or prevent the achievement of objectives e.g. what might happen that could affect that progress, it could be negative or positive i.e. an opportunity.

There are many ways in which risk can be identified, which are often aligned with management processes including:

- horizon scanning.
- SWOT analysis, considering Strengths, Weaknesses, Opportunities and Threats.
- Lessons learnt from experience, including review of associated logs, mapped across to existing process, systems and delivery.
- Root cause analysis, including asking why five times to each concern to reach the cause to be addressed.
- Control & Risk Self-Assessment, collaboratively delivered with a range of stakeholders to seek the views of all parties creating a rounded approach to identifying risk.
- As part of business planning and objective setting, which means that risk management is at the heart of everything that is undertaken within the organisation.

How to write a risk, when recording within a risk register, board papers and more widely, it is helpful to think of the risk using a common methodology, which helps to build consistency, as follows:

- reason for occurrence, cause or 'due to'.
- risk itself, event or 'there is a risk that'.
- consequence, the result, 'results in'.

Reason for a risk occurring The event or situation trigger (the cause / 'due to')	Risk itself Area of uncertainty, (what may happen – 'leads to' / 'there is a risk that')	Consequence of the risk The effect should the risk materialise. ('results in')
Flooding	leads to a delay in the progress of a scheme	results in outcomes not being realised in the timescales.
Increased cyber attacks	leads to successful infiltration	results in operational disruption, data corruption, outage and financial loss.

Grouping the Risks

The following categories have been established, in which the risks will be grouped and analysed to develop corporate and board level reports. It is important that each risk is allocated to an appropriate category, as follows:

- **Policy**, relates to the setting of interventions to tackle specific matters to develop the strategic objectives of the MCA.
- **Financial**, relates to establishment and maintenance of financial health and wellbeing to achieve strategic and financial objectives.
- **Organisational**, relates to the structure and makeup of the organisation to deliver the objectives and the corporate plan.

- **Operational and Delivery**, incorporates the programmes and projects of the MCA to deliver the objectives we have set for the region.
- **Legal Compliance and Regulation**, relates to the obligations the MCA is required to adhere to including the upholding of laws, statutes and regulations e.g. professional standards, laws relating to ethics, bribery, corruption and fraud.
- **Transport**, operational transport related matters that would have historically formed part of the Passenger Transport Executive risk register.

Assess the Risk

Each risk should be recorded within a risk register and a template has been prepared, at Appendix B.

Once a risk has been identified, the risk owner will be defined within the risk register. The risk owner is the person that takes responsibility for the risk and its overall management.

The assessment of each risk is undertaken using a five by five Probability Impact Grid, as follows:

Impact	5 Critical	5	10	15	20	25
	4 Serious	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Immaterial	1	2	3	4	5
	1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable	Probability

Once each risk has been assessed for probability and impact, an overall risk score is created by considering the probability of the risk occurring and also the impact if it did occur. Simply, this requires the multiplication of the probability score (1-5) by the impact score (1-5) to reach a risk score.

Further guidance on scoring is included within the guidance matrices at Appendix C established to help build consistency throughout the MCA process.

Mitigation and Control

Each risk is assessed inherently, prior to any controls being applied, and again after the application of existing controls, captured in the risk register, to reach a current risk score. Appendix B, the risk register template demonstrates the flow of this risk information. The current risk score for each risk provides an opportunity to rank and a means of prioritising to identify those risks posing the greatest threat or opportunity to the organisation.

Within the risk register additional actions are recorded, which are deemed necessary to reduce the risk exposure to an acceptable level or maximise the opportunity, which in turn creates an Action Plan. An action owner and delivery deadlines or timescales should also be recorded.

Risk owners are able to monitor and review alongside the risk register and track the actions through to completion. It is important that the actions are tracked to ensure that risks are treated appropriately and at the right time. Action plans also create a baseline for information for use in reporting into directorate management teams, Management Board, Audit, Standards and Risk Committee and more widely.

Risk Treatment

Once the risk has been recorded and existing controls have been established and a current risk score defined a decision needs to be made as to what to do next. The risk treatment options are:

- Treat, take action to reduce a risk.
- Tolerate, accept the risk.
- Transfer, pass responsibility e.g. insurance.
- Terminate, avoid the activity.
- Take up, to maximise an opportunity.
- Share, with partners e.g. public private initiatives/partnerships (PPI/PPP).

Appetite

The current risk score needs to be related to the appetite the organisation has set, to establish how much risk that the organisation is willing to accept or tolerate. The expectation here is that a risk owner will manage each risk to its lowest practical level and where it is not possible to do so a risk(s) will be escalated through the organisational reporting structure and ultimately to Management Board. This is in line with the Recording and Reporting requirements set out below and the approach to appetite is in line with the approach to reporting e.g. risks with a score of 16 and above will be escalated to Management Board for awareness and additional instruction, should this be necessary.

A further expectation here, is that Management Board will direct and instruct the executive teams into action or accept/tolerate risk i.e. the status quo.

Monitoring and Review

Monitoring and Review are ongoing and applied across all levels of the risk management process. It is part of the mechanism that allows for and leads to assurance and improvement of the quality and effectiveness of the process, its implementation and the outcomes e.g. risk registers. Ongoing monitoring and regular review are built into the process and the requirement for this is captured under Recording and Reporting below.

The risk management framework and operating practices, once written and implemented, will be subject to a post implementation review to consider lessons, lead to adjustments as necessary, and to determine if it has achieved the intended benefits. This will take place approximately 6 months to one year after implementation and is in line with good practice for system development activity.

Subsequently, the framework and outputs will be subject to an annual review for similar purposes i.e. learning lessons leading to the preparation of a Management Board presentation and a paper to the Audit, Standards and Risk Committee as part of an annual report.

Recording and Reporting

Regular reporting is required to track risks and to demonstrate tracking is taking place regularly. It allows the MCA to respond to situations as they arise and make appropriate decisions to avoid issues before they happen and forms a key aspect of the organisation's approach to governance.

The requirement is that the risk management process and outcomes will be documented and reported through appropriate mechanisms, in line with the table below and the arrangements for governance of the process and its outcomes. Escalation and de-escalation of risks is in line with the table below:

Score	Rating	Monitoring and Review and Recording and Reporting *
16-25	High	1 - 3 month review. Monthly directorate management team reporting. Reporting to Management Board quarterly and subsequently to ASRC.
11-15	Med/High	1 - 3 month review. Two monthly directorate management team reporting. Reporting to Management Board quarterly (maximum).
5-10	Medium	3 - 6 month review. Quarterly directorate management team reporting. Reporting to Management Board every 6 months.

		** Health and Safety risks scored 5 and above are reported as High rated risks
1-4	Low	Annual review. Six monthly directorate management team reporting. Reporting to Management Board annually.

*The stated frequency of reporting may be shortened, where required by exception, but not extended.

**Risks which are health and safety focused will have a low appetite and any such risks with a score of 6 and above will be escalated to Management Board for visibility, direction and to determine regularity of reporting.

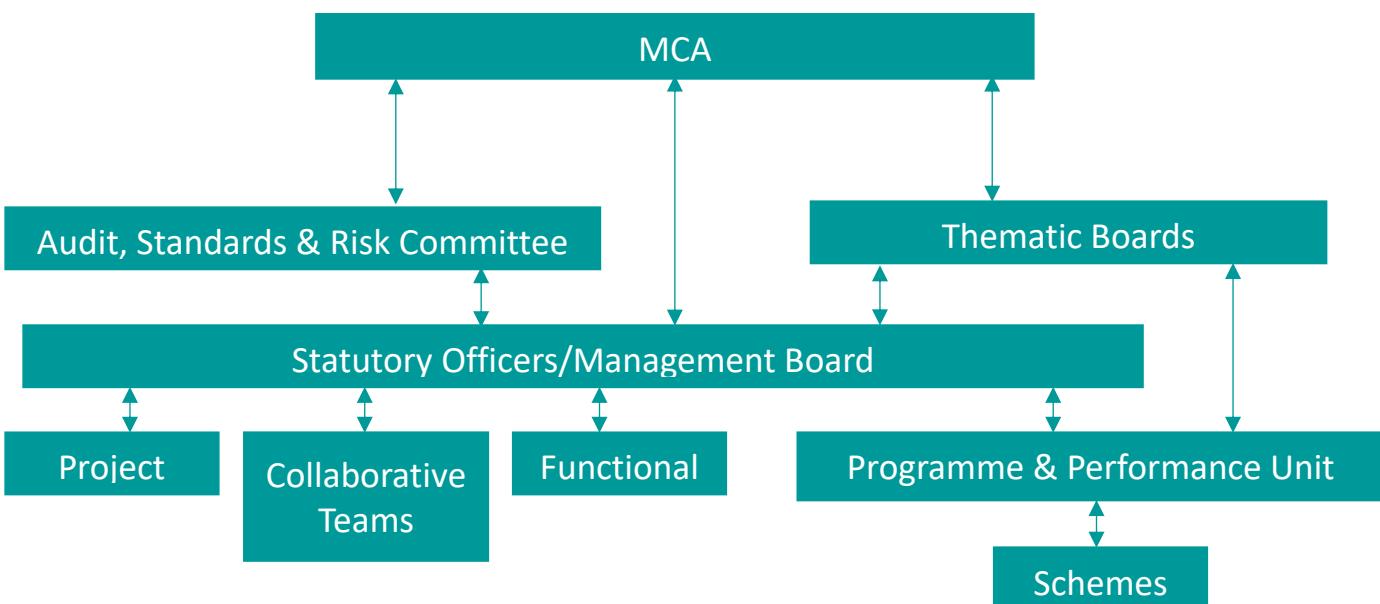
The intention here is that risks are escalated to directorate management teams and Management Board for awareness and understanding and decision making e.g. to seek instruction where a risk reaches a specified score e.g. risks scored 16 and above are reported to Management Board taking forward the MCA approach to escalation and reporting when a risk reaches a taper level.

Annual reporting of all risks to Management Board will also take place.

Management Board and directorate management teams may request deep dives into the high level risks that face the organisation, on an ad-hoc basis, and this will require risk owners to develop presentations, which assure the risk is being managed. Where it is not possible to effectively control a risk e.g. where effective management may be outside of the organisation's control a risk may be tolerated. In such a case, Management Board need to sanction the approach taken to a specific risk. Minutes of meetings will need to capture the discussion and decision(s) made.

Governance

The diagram below provides a visual representation of the flow of risk information within the structure of the MCA.



To supplement the above diagram, the table below provides an overview of the governance associated with risk reporting to the different groups within the organisation.

Group	Risk Reports
MCA	<ul style="list-style-type: none"> The MCA will receive an annual report on the risks, the type and exposure, which is within the context of the Corporate Plan and Business Plan Review Risk Management is included within the standard MCA report format, forming a part of the decision-making process. The MCA will receive an annual report from the Audit, Standards and Risk Committee (ASRC) providing their overview commentary.
Audit, Standards and Risk Committee	<ul style="list-style-type: none"> The ASRC will receive the high level risk register and commentary at each quarterly meeting. The ASRC will also receive an annual report and commentary.
Local Enterprise Partnership (LEP)*	<ul style="list-style-type: none"> The LEP will receive an annual report on the risks, type and exposure, in line with the MCA report. Risk Management is included within the standard board report format, forming a part of the decision-making process.
Thematic Boards	<ul style="list-style-type: none"> Programme dashboard relevant to the thematic area at each meeting. Risk Management is included within the standard report format, forming a part of the decision-making process
Statutory Officers and Management Board	<ul style="list-style-type: none"> High level risk reports will be presented to Management Board quarterly, in line with the Recording and Reporting requirements, timescales and parameters. Additional extraordinary risk reporting will take place by exception for risks and topical themes e.g. deep dive reporting for high / critical level risks. Risk Management is included within the standard board report format, forming a part of the decision-making process
Project Boards / Collaboration Teams	<ul style="list-style-type: none"> Project and programme risk registers presented at each meeting in line with good practice Programme and Project Management.

* to be reconsidered after publication of the LEP Review

[To add internal structures, roles and responsibilities for embedding risk management]

Context and Scope																																															
The MCA and LEP have agreed a 20-year Strategic Economic Plan (SEP) to transform the South Yorkshire economy and society for People, Business and Places. The SEP paves the way to a Stronger, Greener and Fairer economy as the potential is unlocked to create prosperity and opportunity for all. A Renewal Action Plan has been agreed setting out the actions needed to accelerate delivery of the SEP, a Corporate Plan and Business Plan exist to operationalise delivery of the SEP and risks are set in this context. The scope of risk may be internal to the MCA or externally facing.																																															
Objectives																																															
Objectives which are clear and understood		Identify the Risks		Assess the Risks																																											
What will be achieved? What does good look like? How will we know we have achieved?		Threats and opportunities identified		Score the risks and consider the appetite																																											
Objectives are set against the plans. There are a number of ways and levels at which objective can be set e.g. strategic, funding, programme, project level and operational.		What could happen to hamper or enhance achievement of objectives. What concerns or opportunities exist?		What is the likelihood of the risk occurring? How serious is the impact?																																											
Objectives may be tiered and must align, e.g. by flowing from/to the SEP, RAP, Corporate and Business Plan objectives and can be incorporated into team and employee performance objectives.		<p>There are a number of ways to identify risks to achievement e.g.</p> <ul style="list-style-type: none"> • horizon scanning. • SWOT analysis, Strengths to Threats. • Lessons learnt exercises. • Root cause, asking 'five whys'. • Control & Risk Self-Assessment with a range of stakeholders. <p>It is helpful to structure risk as: reason for occurrence (due to) risk itself (a risk that) consequence (results in).</p>		<p>Firstly, a Risk Owner is allocated. Risks are scored inherently, before any controls are added, using a 5 x 5 scoring matrix (Guide at Appendix C).</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Impact</td><td>5</td><td>5</td><td>10</td><td>15</td><td>20</td><td>25</td></tr> <tr> <td></td><td>4</td><td>4</td><td>8</td><td>12</td><td>16</td><td>20</td></tr> <tr> <td></td><td>3</td><td>3</td><td>6</td><td>9</td><td>12</td><td>15</td></tr> <tr> <td></td><td>2</td><td>2</td><td>4</td><td>6</td><td>8</td><td>10</td></tr> <tr> <td></td><td>1</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> <tr> <td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr> </table> <p style="text-align: center;">Probability</p> <p>An Inherent score is recorded.</p>		Impact	5	5	10	15	20	25		4	4	8	12	16	20		3	3	6	9	12	15		2	2	4	6	8	10		1	1	2	3	4	5			1	2	3	4	5
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Monitoring and Review																																															
Risks, controls & process monitored and reviewed leading to learning and improvement. Has the action been taken? If not, what next? Has anything changed?																																															
Required to improve the effectiveness of the process, implementation and outcomes and should be planned and regularised. The results of this should be incorporated within the performance management processes, measurement and reporting activities.																																															
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<p>To provide information for decision making, learning lessons and improving risk management activities, process and outcomes.</p> <p>Processes, activities and outcomes should be documented and reported through appropriate structures.</p>																																															
Current Score	Rating	Review and Reporting - The specified frequency of reporting can be shortened, where required, but not extended.																																													
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Communication promotes awareness and understanding of risk management. Consultation involves obtaining feedback and information to inform decision making. Coordination between the two facilitates factual, timely, relevant, accurate and understandable exchanges of information, taking account data protection requirements. Communication and Coordination with relevant stakeholders should take place during all steps of the Risk Management process.																																															

Risk Register Template

Appendix B

Category	Risk Description			Owner	Pre-response assessment (inherent)			Existing Controls	Current risk assessment (residual)			Action	Action Owner	Due date 00/00/00
					Probability 1 - 5 L - H	Impact 1 - 5 L to H	Inherent Risk Score		Prob'ty 1 - 5 L to H	Impact 1 - 5 L-H	Current Risk Score			
	Due to	Risk	Result											
Organisation	Cyber Security Due to the pandemic there is an increase in cyber-attacks, leading to infiltration of our systems, resulting in operational disruption, data corruption, systems outage and loss of finances.	Ruth Adams	5	5	5			a. Anti virus software, updated hourly, installed across all infrastructure. b. Mimecast, Advanced Threat Protection, installed, evolves to address current threats, covers email filtering to identify and block impersonators and filtering attachments for abnormalities for the IT team to check prior to release.	3	5	5	a. Cyber Essentials accreditation.	XXX	a.01.04.22 b.

Risk Assessment

Appendix C

The assessment of risk takes account of the probability or likelihood of a risk occurring and also the impact if it was to materialise. Each risk is scored using a five by five scoring matrix, a guide is included below:

Probability, the following approach to scoring is used:

Probability Descriptor	Remote	Unlikely	Possible	Probable	Highly Probable
Score	1	2	3	4	5
Description	Very unlikely to occur	Unlikely to occur	Could occur at some point	More likely to occur than not	Very likely to occur

Impact, the table below has been prepared to guide colleagues and to describe the different types of impact a risk may have and at different levels. The table content is not meant to be complete or absolute and is offered as a guide for, risk owners, managers and employees. Additionally, where a risk has a different level of impact in several areas (or no impact at all), then the risk owner should use their professional judgement to define the impact score.

Impact Description	Immaterial	Minor	Moderate	Serious	Critical
Score	1	2	3	4	5
Reputational relates to the perception of the MCA by employees, partners and stakeholders.	Isolated, internal issue contained within the MCA / LEP, no adverse publicity.	Minor internal issue, minimal external publicity, a single adverse article	Short term adverse local / regional publicity. Reduction in stakeholder confidence.	Adverse regional / national publicity. Serious reduction in stakeholder confidence.	Sustained adverse regional / national publicity. Stakeholder confidence lost.
Environmental relates to worldwide +1.5°C temperature increase and the target to be net zero by 2040.	No adverse impact on the environment.	Minor levels of carbon output or impact on the environment.	Modest levels of carbon output or adverse impact on the environment locally.	Serious levels of carbon output or impact on the environment regionally.	Critical levels of carbon output and extensive damage to the environment nationally.
Financial relates to the financial viability / health of the MCA and strength over time to achieve strategic and financial objectives	Immaterial financial loss or cost, contained within budget.	Minor loss or costs that can be contained within budget.	Modest loss or costs that cannot be contained in budget requiring a new budget to be approved	Loss or costs detrimental to the financial health of the MCA. Single year risk.	Loss or costs that destabilise the financial health of the MCA. Multiple year risk.
Legal and Regulatory Compliance adherence to laws and regulations incl. professional standards, ethics and fraud.	No impact or statutory compliance breach.	Minor breach in regulatory compliance.	Single breach in statutory responsibility. External recommendations and Improvement notice applied.	Multiple breaches in statutory responsibility. Improvement notices and enforcement action.	Extensive breaches in statutory responsibility and sanctions. Prosecution.

Health & Safety relates to the health & safety of MCA employees, service users, partners and stakeholders	No injury.	Minor injury suffered, no professional medical treatment required. Small number of sick days.	Injury to individual(s) requiring professional medical treatment.	Multiple serious injuries requiring professional medical treatment or hospitalisation. Enforcement agency involved.	Injury so severe that it results in fatality of individual(s). Prosecution from enforcement agency.
Employees relates to workforce planning, capacity, capability and morale of the workforce	No impact on employees, capacity or capability.	Minor or short-term reduced capacity, capability or morale.	Low employee levels Insufficient experience. Modest employee engagement.	Employee capacity or capability causes delivery failure. Low level of engagement	Strategic objectives severely impacted due to capacity or capability. Critically low level of engagement.
Digital Security relates to digital and cyber impacts	No digital security breach. Digital assets maintained.	A minor digital security breach of low level or non-sensitive data or system. Recovery quick.	A single breach of operational data or systems. Recovered and contained.	Multiple breaches of operational data or systems. Limited ability to recover or contain. Single breach of sensitive data or critical system.	Multiple breaches of data or systems including sensitive systems and personal data or loss of data itself. Enforcement agency action and fine.
Programmes and Projects relates to programmes and projects the MCA undertakes to deliver its objectives internal and external.	Little or no slippage to delivery No threat to the intended benefits, output or outcome.	Minor delay, which can be managed in the respective stage. No threat to intended benefits, output or outcome.	Slippage delays delivery of milestone. No threat to intended benefits, output or outcome.	Slippage causes significant delay to milestone delivery. Serious threat to intended benefits, output or outcome.	Delivery of the entire programme or project threatened and or being cancelled.